



THE SAUDI INVESTMENT BANK
(A Saudi joint stock company)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended September 30, 2009

(Unaudited)

THE SAUDI INVESTMENT BANK

(A Saudi joint stock company)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Sep 30, 2009 (Unaudited) SAR'000	Dec. 31, 2008 (Audited) SAR'000	Sep 30, 2008 (Unaudited) SAR'000
	Note			
ASSETS				
Cash and balances with SAMA		1,651,678	1,426,919	2,093,797
Due from banks and other financial institutions		4,593,675	7,452,651	5,352,675
Investments, net	5	11,138,535	12,731,159	14,565,639
Loans and advances, net		30,525,684	29,555,560	29,874,225
Investment in associates		834,541	719,422	715,296
Property and equipment, net		679,795	547,585	494,168
Other assets		1,149,485	1,163,068	1,404,141
Total assets		50,573,393	53,596,364	54,499,941
LIABILITIES AND EQUITY				
Liabilities				
Due to banks and other financial institutions		2,991,395	5,208,913	3,481,083
Customer deposits		38,415,473	40,702,391	43,045,332
Other liabilities		931,637	1,076,462	1,052,635
Term loan	6	500,000	-	-
Total liabilities		42,838,505	46,987,766	47,579,050
Equity				
Equity attributable to shareholders of the Bank				
Share capital	11	4,500,000	4,500,000	4,500,000
Statutory reserve		2,287,000	2,287,000	2,158,000
Other reserves		(82,452)	(573,883)	(403,519)
Retained earnings		1,043,647	412,475	632,192
Employee stock option shares		(44,490)	(44,490)	-
Total equity attributable to shareholders of the Bank		7,703,705	6,581,102	6,886,673
Minority interest		31,183	27,496	34,218
Total equity		7,734,888	6,608,598	6,920,891
Total liabilities and equity		50,573,393	53,596,364	54,499,941

The accompanying notes 1 to 12 form an integral part of these interim condensed consolidated financial statements

THE SAUDI INVESTMENT BANK

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CONSOLIDATED INCOME STATEMENT (Unaudited)

	Note	Three-month period ended		Nine-month period ended	
		Sep 30, 2009 SAR'000	Sep 30, 2008 SAR'000	Sep 30, 2009 SAR'000	Sep 30, 2008 SAR'000
Special commission income		410,800	627,040	1,447,787	1,843,560
Special commission expense		170,993	405,437	704,086	1,016,692
Net special commission income		239,807	221,603	743,701	826,868
Fees from banking services, net		58,646	85,800	175,961	374,758
Exchange income, net		6,820	16,183	22,572	28,496
Dividend income		6,230	11,243	21,036	34,656
Gain / (loss) on non- trading investments, net		58,821	(29,614)	85,866	136,493
Gain on sale of investments in subsidiary		-	110,000	-	110,000
Total operating income		370,324	415,215	1,049,136	1,511,271
Salaries and employee-related expenses		78,618	70,158	232,411	218,392
Rent and premises-related expenses		13,275	13,385	41,690	38,994
Depreciation and amortization		14,013	12,577	37,905	36,078
Other general and administrative expenses		22,045	19,546	83,272	49,277
Impairment charge for credit losses		60,000	5,000	120,000	25,000
Impairment charge for non-trading investments		-	225,420	-	527,870
Total operating expenses		187,951	346,086	515,278	895,611
Income from operating activities		182,373	69,129	533,858	615,660
Share in earnings from associates		24,817	-	109,604	-
Net income for the period		207,190	69,129	643,462	615,660
Income attributable to minority interest		4,434	3,332	12,290	11,714
Net income for the period attributable to shareholders of the Bank		202,756	65,797	631,172	603,946
Basic and diluted earnings per share (Expressed in SAR per share)	11	0.45	0.15	1.40	1.34

The accompanying notes 1 to 12 form an integral part of these interim condensed consolidated financial statements

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Unaudited)

	Three-month period ended		Nine-month period ended	
	Sep 30, 2009	Sep 30, 2008	Sep 30, 2009	Sep 30, 2008
	(SAR'000)	(SAR'000)	(SAR'000)	(SAR'000)
Net income for the period	207,190	69,129	643,462	615,660
Other comprehensive income:				
Available for sale investments:				
- Net change in fair value	443,534	(548,865)	577,297	(878,272)
- Transfers to consolidated income statement	(58,821)	255,034	(85,866)	391,377
Net impact on other reserves	384,713	(293,831)	491,431	(486,895)
Total comprehensive income / (loss) for the period	591,903	(224,702)	1,134,893	128,765
Attributable to:				
Shareholders of the Bank	587,426	(228,034)	1,122,603	117,047
Minority interest	4,477	3,332	12,290	11,718
Total comprehensive income / (loss) for the period	591,903	(224,702)	1,134,893	128,765

The accompanying notes 1 to 12 form an integral part of these interim condensed consolidated financial statements

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Unaudited)
For the nine months ended September 30

		Share capital	Statutory reserve	Other reserves	Retained earnings	Employee stock option shares	Total equity attributable to share-holders of the Bank	Minority interest	Total
<u>2009</u>	<u>Note</u>	<u>SAR'000</u>	<u>SAR'000</u>	<u>SAR'000</u>	<u>SAR'000</u>	<u>SAR'000</u>	<u>SAR'000</u>	<u>SAR'000</u>	<u>SAR'000</u>
Balance at the beginning of the period		4,500,000	2,287,000	(573,883)	412,475	(44,490)	6,581,102	27,496	6,608,598
Total comprehensive income for the period		-	-	491,431	631,172	-	1,122,603	12,290	1,134,893
Payment to minority interest		-	-	-	-	-	-	(8,603)	(8,603)
Balance at end of the period		4,500,000	2,287,000	(82,452)	1,043,647	(44,490)	7,703,705	31,183	7,734,888

		Share capital	Statutory reserve	Other reserves	Retained earnings	Employee stock option shares	Total equity attributable to share-holders of the Bank	Minority interest	Total
<u>2008</u>	<u>Note</u>	<u>SAR'000</u>	<u>SAR'000</u>	<u>SAR'000</u>	<u>SAR'000</u>	<u>SAR'000</u>	<u>SAR'000</u>	<u>SAR'000</u>	<u>SAR'000</u>
Balance at the beginning of the period		3,910,160	2,158,000	83,380	618,086	-	6,769,626	-	6,769,626
Minority interest added during the period		-	-	-	-	-	-	22,500	22,500
Total comprehensive income for the period		-	-	(486,899)	603,946	-	117,047	11,718	128,765
Bonus share issue	11	589,840	-	-	(589,840)	-	-	-	-
Balance at end of the period		4,500,000	2,158,000	(403,519)	632,192	-	6,886,673	34,218	6,920,891

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THE SAUDI INVESTMENT BANK

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CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)

For the nine months ended September 30

	Note	2009 SAR'000	2008 SAR'000
OPERATING ACTIVITIES			
Net income for the period		643,462	615,660
Adjustments to reconcile net income to net cash (used in) from operating activities:			
Accretion of discounts on non-trading investments, net		(51,366)	(141,083)
Gain on non-trading investments, net		(85,866)	(136,493)
Gain on sale of investments in subsidiary		-	(110,000)
Depreciation and amortization		37,905	36,078
Impairment charge for credit losses		120,000	25,000
Impairment charge for non-trading investments		-	527,870
Share in earnings from associates		(109,604)	-
		<u>554,531</u>	<u>817,032</u>
Net (increase) decrease in operating assets:			
Statutory deposit with SAMA		(135,601)	(483,491)
Due from banks and other financial institutions maturing after ninety days from date of acquisition		(149,974)	108,736
Loans and advances		(1,090,124)	(6,770,524)
Other assets		13,583	(312,937)
Net increase (decrease) in operating liabilities:			
Due to banks and other financial institutions		(2,217,518)	(1,031,018)
Customer deposits		(2,286,918)	10,277,061
Other liabilities		(144,825)	(14,160)
		<u>(5,456,846)</u>	<u>2,590,699</u>
Net cash (used in) from operating activities		<u>(5,456,846)</u>	<u>2,590,699</u>
INVESTING ACTIVITIES			
Proceeds from sale of and matured non-trading investments		6,052,326	3,779,326
Purchase of non-trading investments		(3,860,221)	(3,291,543)
Investment in associates		15,063	-
Purchase of property and equipment		(181,732)	(105,541)
Proceeds from sale of property and equipment		11,618	-
		<u>2,037,054</u>	<u>382,242</u>
FINANCING ACTIVITIES			
Term loan proceeds / (paid)		500,000	(1,425,000)
Net cash from (used in) financing activities		<u>500,000</u>	<u>(1,425,000)</u>
(Decrease) / increase in cash and cash equivalents		<u>(2,919,792)</u>	<u>1,547,941</u>
Cash and cash equivalents at beginning of the period		<u>7,780,742</u>	<u>4,740,914</u>
Cash and cash equivalents at end of the period	9	<u>4,860,950</u>	<u>6,288,855</u>
Special commission received during the period		<u>1,500,306</u>	<u>1,856,129</u>
Special commission paid during the period		<u>860,484</u>	<u>952,985</u>
Supplemental non-cash information			
Net changes in fair value and transfers to consolidated income statement		<u>491,431</u>	<u>(486,895)</u>
Bonus share issue	11	<u>-</u>	<u>589,840</u>
Settlement of loans for available for sale investments		<u>746,079</u>	<u>-</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
For the nine months ended September 30, 2009 and 2008

1. General

The Saudi Investment Bank (the "Bank"), a Saudi joint stock company, was formed pursuant to Royal Decree No. M/31 dated 25 Jumada II 1396H, corresponding to June 23, 1976. The Bank operates under Commercial Registration No. 1010011570 dated 25 Rabie Awwal 1397H, corresponding to March 16, 1977 through its 39 branches (2008: 31 branches) in the Kingdom of Saudi Arabia. The address of the Bank's Head Office is as follows:

The Saudi Investment Bank
Head Office
P.O. Box 3533
Riyadh 11481, Kingdom of Saudi Arabia

The objective of the Bank is to provide a full range of banking services. The Bank also provides to its customers non-interest based banking products, which are approved and supervised by an independent Shariah Board established by the Bank.

2. Basis of preparation

These interim condensed consolidated financial statements are prepared in accordance with the Accounting Standards for Financial Institutions promulgated by the Saudi Arabian Monetary Agency (SAMA) and International Accounting Standard ("IAS") 34 – "Interim Financial Reporting". The Bank also prepares its interim condensed consolidated financial statements to comply with the Banking Control Law and the Regulations for Companies in the Kingdom of Saudi Arabia. The interim condensed consolidated financial statements should be read in conjunction with the annual financial statements as of and for the year ended December 31, 2008.

These interim condensed consolidated financial statements are expressed in Saudi Arabian Riyals (SAR) and are rounded off to the nearest thousand.

3. Basis of consolidation

These interim condensed consolidated financial statements comprise the financial statements of The Saudi Investment Bank and its subsidiaries, Alistithmar for Financial Securities and Brokerage Company and SAIB BNP Paribas Asset Management Company (collectively referred to as the "Group"). The financial statements of the subsidiaries are prepared for the same reporting period as that of the Bank, and changes are made to the accounting policies of the subsidiaries, when necessary, to align them with the accounting policies adopted by the Bank.

Subsidiaries are all entities controlled by the Bank. Control exists when the Bank has the power to govern the financial and operating policies, so as to obtain benefits from its activities, generally accompanying an ownership interest of more than one half of the voting rights.

Subsidiaries are consolidated from the date on which control is transferred to the Bank and cease to be consolidated from the date on which the control is transferred from the Bank. The results of subsidiaries acquired or disposed of during the period, if any, are included in the consolidated income statement from the effective date of the acquisition or up to the effective date of disposal, as appropriate.

Minority interest represents the portion of net income and net assets not owned by the Bank, directly or indirectly, in its subsidiaries and is presented separately in the consolidated income statement and within equity in the consolidated statement of financial position, separately from the Bank shareholders' equity.

Balances between the Bank and its subsidiaries, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

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Amounts in SAR'000

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4. Significant accounting policies

The accounting policies adopted are consistent with those of the annual consolidated financial statements for the year ended December 31, 2008, as described in the annual consolidated financial statements for the year ended December 31, 2008, except for the adoption of International Financial Reporting Standard "IFRS" 8 - "Operating Segments" and amendments to existing standards, as mentioned below:

- IFRS 8 "Operating Segments", which supersedes IAS 14 Segment Reporting and require disclosure of information about the Groups operating segments;
- The revisions and amendments to IAS 1 "Presentation of Financial Statements";
- Amendments to IFRS 2 "Share Based Payments" – vesting conditions and cancellations; and
- IAS 32 "Financial Instruments: Presentation".

The Bank has adopted the standard and amendments with retrospective effect which had no impact on the financial position and financial performance of the Group. The comparative information has been restated, where required, to conform to the current period presentation.

Share in earnings from associates represents the Bank's equity interest in the net income of its associate companies that are being accounted for on the equity method of accounting. The Bank generally records its share in earnings when a reasonable estimate can be made or audited financial statements are obtained.

5. Investments, net

Investments are classified as follows:

	At Sep 30, 2009 (Unaudited)	At Dec. 31, 2008 (Audited)	At Sep 30, 2008 (Unaudited)
Available for sale	9,859,160	12,607,826	14,442,175
Held to maturity	1,279,375	123,333	123,464
Total	11,138,535	12,731,159	14,565,639

The above investments include receivable securitization agreements amounting to SAR 164 million (December 31, 2008: 436 million and September 30, 2008: 721 million) entered into by the Bank, which upon initial recognition were designated as available for sale. Their fair values are determined by using an appropriate pricing model.

6. Term Loan

On April 7, 2009 the Bank entered into a three-year term loan facility agreement for an amount of SAR 500 million for general corporate purposes. The facility has been fully utilized and is repayable in April 2012. The Bank, however, has an option to effect an early repayment, subject to the terms and conditions of the related agreement.

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7. Derivatives

The table below sets out the positive and negative fair values of derivative financial instruments together with their notional amounts. The notional amounts, which provide an indication of the volumes of the transactions outstanding at the end of the period, do not necessarily reflect the amounts of future cash flows involved. These notional amounts, therefore, are neither indicative of the Group's exposure to credit risk, which is generally limited to the positive fair value of the derivatives, nor market risk.

	At Sep 30, 2009 (Unaudited)			At Dec 31, 2008 (Audited)			At Sep 30, 2008 (Unaudited)		
	Fair value		Notional Amount	Fair value		Notional Amount	Fair value		Notional Amount
	Positive	Negative		Positive	Negative		Positive	Negative	
Held for trading:									
Forward foreign exchange contracts	1,082	6,902	607,765	11,216	7,984	1,337,485	7,831	6,601	911,637
Held as fair value hedges:									
Commission rates swaps	41,554	94,724	874,767	64,663	118,788	863,066	112,826	122,976	865,293
Total	42,636	101,626	1,482,532	75,879	126,772	2,200,551	120,657	129,577	1,776,930

8. Credit-related commitments and contingencies

The Group's credit-related commitments and contingencies are as follows:

	At Sep 30, 2009 (Unaudited)	At Dec. 31, 2008 (Audited)	At Sep 30, 2008 (Unaudited)
Letters of credit	858,764	803,054	946,802
Letters of guarantee	2,979,172	3,131,452	2,907,241
Acceptances	441,737	1,130,282	1,331,209
Irrevocable commitments to extend credit	383,328	422,259	225,994
Total	4,663,001	5,487,047	5,411,246

9. Cash and cash equivalents

Cash and cash equivalents included in the consolidated statement of cash flows are comprised of the following:

	At Sep 30, 2009 (Unaudited)	At Dec. 31, 2008 (Audited)	At Sep 30, 2008 (Unaudited)
Cash and balances with SAMA excluding statutory deposit	436,014	346,856	954,965
Due from banks and other financial institutions maturing within ninety days from acquisition date	4,424,936	7,433,886	5,333,890
Total	4,860,950	7,780,742	6,288,855

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10. Segment information

The Group has adopted IFRS 8 "Operating Segments" with effect from January 1, 2009. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief decision maker in order to allocate resources to the segments and to assess their performance. In contrast, the predecessor standard IAS 14 "Segment Reporting" required an entity to identify two sets of segments (business and geographical), using a risk and reward approach, with the entity's system of internal financial reporting to key management personnel serving only as a starting point for the identification of such segments. Following the adoption of IFRS 8, the identification of the Group's reportable segments has not changed.

The Group's primary business is conducted in the Kingdom of Saudi Arabia.

Transactions between the business segments are on normal commercial terms and conditions. There are no other material items of income or expense between the business segments. Segment assets and liabilities are comprised of operating assets and liabilities, being the majority of the balances.

For management purposes, the Group is organized into the following primary business segments:

Retail banking

Deposits, credit and investment products for individuals and small to medium-sized businesses.

Corporate banking

Loans, deposits and other credit products for corporate and institutional customers.

Treasury

Money market, trading and treasury services.

Investment banking and brokerage

Investment management services and asset management activities related to dealing, managing, arranging, advising and custody of securities.

Commission is charged to business segments based on a pool rate, which approximates the marginal cost of funds.

The Group's total assets and liabilities as at September 30, 2009 and 2008, its total operating income, expenses, and net income for the nine-month periods then ended, by business segments, being the primary reporting segments, are as follows:

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	September 30, 2009 (Unaudited)				Total
	Retail Banking	Corporate Banking	Treasury	Investment Banking and Brokerage	
Total assets	12,918,763	20,605,618	16,711,800	337,212	50,573,393
Total liabilities	13,781,554	25,288,245	3,747,251	21,455	42,838,505
Total operating income	428,473	457,722	79,032	83,909	1,049,136
Total operating expenses	234,812	144,829	78,218	57,419	515,278
Share in earnings from associates	-	-	109,604	-	109,604
Net income for the period	193,661	312,893	110,418	26,490	643,462

	September 30, 2008 (Unaudited)				Total
	Retail Banking	Corporate Banking	Treasury	Investment Banking and Brokerage	
Total assets	13,158,531	19,628,638	21,524,848	187,924	54,499,941
Total liabilities	17,159,873	26,029,788	4,378,354	11,035	47,579,050
Total operating income	394,606	502,935	401,257	212,473	1,511,271
Total operating expenses	157,608	96,275	577,788	63,940	895,611
Net income / (loss) for the period	236,998	406,660	(176,491)	148,493	615,660

11. Share capital and earnings per share

The Board of Directors proposed a bonus share issue of 58,984,000 shares of SAR 10 each which was approved at the shareholders' extraordinary general assembly meeting held on 1 Rabi Alawal 1429H (corresponding to March 9, 2008). Accordingly, the total number of issued and outstanding shares increased to 450,000,000.

Basic and diluted earnings per share for the three months and nine months periods ended September 30, 2008 are calculated by dividing the net income for the period attributable to the equity holders of the Bank by 450 million shares to give a retroactive effect of the change in the number of shares increased as a result of the bonus share issue.

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12. Capital adequacy

The Bank maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Bank's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision and adopted by the Saudi Arabian Monetary Agency in supervising the Bank.

	Sep 30, 2009 (Unaudited)		Sep 30, 2008 (Unaudited)	
	Total capital ratio %	Tier 1 capital ratio %	Total capital ratio %	Tier 1 capital ratio %
Top consolidated level	<u>14.95</u>	<u>13.36</u>	<u>12.61</u>	<u>11.10</u>